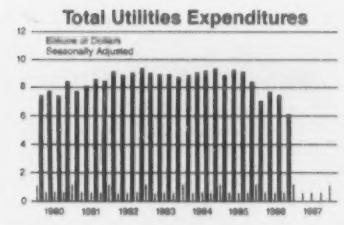
8/26/87 R4105-11

The Conference Board

Economic Analysis Program

A Quarterly Report from The Conference Board **Fourth Quarter 1986**

Expenditures Continue to Fall

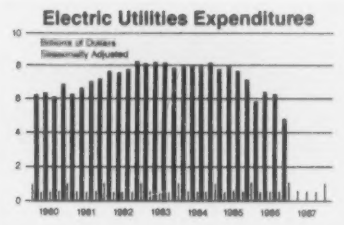


In the fourth quarter of 1986, capital spending by the nation's investor-owned utilities dropped 19%, to $6.1 billion, its lowest level in eight years. The fourth-quarter plunge was due to a 23% decrease in expenditures by the electric-utility sector. Expenditures by that sector have declined in 6 of the last 8 quarters, reflecting sluggish demand and the continued existence of substantial excess capacity.

In sharp contrast to the electric-utility sector, the gas sector has increased their expenditures in 5 of the last 8 quarters. In the fourth quarter of 1986, this sector increased its spending by 1% over the third quarter's level.

Capital spending for all of 1986 declined 17% to $29.8 billion. The overall performance varied widely between the gas and electric-utility sectors: a 19% drop in electric-utility spending was more than six times that of the gas-utility sector.

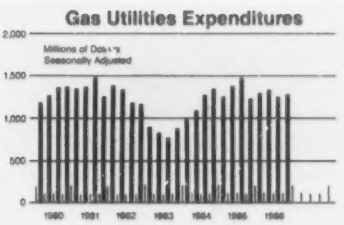
Appropriations Down 28% from 1985



Capital appropriations by the nation's investor-owned utilities increased 3%, to $5.5 billion, in the fourth quarter of 1986. This rise in approved expenditures can be attributed to the strong 19% increase in appropriations by the gas sector. Appropriations by the electric sector, on the other hand, continued its year-long slide, dropping 2% since the third quarter of 1986.

For 1986 as a whole, appropriations totaled $27.3 billion, down 28% from 1985. Here, too, the decrease was strongest in the electric-utility sector where appropriations plummeted by 36%, to $20.4 billion. The 2% decline in appropriations by the gas-utility sector roughly matched its decline in actual expenditures.

Spending Outlook: Continued Overall Weakness, But With Differing Sector Patterns



The low level of the closing backlog of unspent appropriations and the relative weakness of last year's appropriations points to continued weakness in overall utility spending during 1987.

As predicted last quarter, spending by the electric-utility sector is not expected to increase until the early 1990s. The sharp declines in both newly-approved appropriations and the closing backlog of unspent appropriations point to a possible repeat of last year's dire spending pattern for the electric-utility sector.

For the gas-utility sector, however, the 1987 outlook is for a mild (2%-3%) increase in spending. This is supported by the growth in appropriations in the last half of 1986 and the increase in the backlog of unspent appropriations.

Walter Arvin

Copyright © 1987 by The Conference Board, Inc.

CAPITAL APPROPRIATIONS AND EXPENDITURES OF INVESTOR-OWNED GAS AND ELECTRIC UTILITIES

Quarterly Totals in Millions of Dollars

	II-84	III-84	IV-85	I-85	II-85	III-85	IV-85	I-86r	II-86r	III-86r	IV-86p
						—SEASONALLY ADJUSTED—					
TOTAL UTILITIES											
Opening backlog	58,318	55,421	53,814	50,667	51,192	55,991	51,069	50,860	53,431	46,932	47,239
Appropriations	7,839	9,863	11,554	9,439	15,213	5,110	8,708	9,544	5,327	5,311	5,469
Canceled	1,720	2,258	5,364	-77	1,102	999	536	-124	4,071	-2,553	876
Capital expenditure	9,016	9,212	9,337	8,990	9,312	9,034	8,381	7,097	7,756	7,557	6,131
Closing backlog	55,421	53,814	50,667	51,192	55,991	51,069	50,860	53,431	46,932	47,239	45,701
ELECTRIC UTILITIES											
Opening backlog	56,023	52,764	51,315	48,231	48,333	53,101	48,425	48,070	50,149	44,333	44,592
Appropriations	6,283	8,566	10,178	8,065	13,580	3,376	7,084	8,015	4,211	4,044	3,967
Canceled	1,621	2,071	5,248	231	852	479	267	136	3,581	-2,529	736
Capital expenditure	7,921	7,944	8,014	7,732	7,960	7,573	7,172	5,801	6,446	6,314	4,879
Closing backlog	52,764	51,315	48,231	48,333	53,101	48,425	48,070	50,149	44,333	44,592	42,944
GAS UTILITIES											
Opening backlog	2,295	2,657	2,499	2,436	2,859	2,890	2,644	2,790	3,283	2,599	2,647
Appropriations	1,556	1,297	1,376	1,374	1,633	1,734	1,624	1,529	1,116	1,267	1,502
Canceled	99	187	116	-308	250	520	269	-260	490	-24	140
Capital expenditure	1,095	1,268	1,323	1,258	1,352	1,461	1,209	1,296	1,310	1,243	1,252
Closing backlog	2,657	2,499	2,436	2,859	2,890	2,644	2,790	3,283	2,599	2,647	2,757
						—NOT SEASONALLY ADJUSTED—					
TOTAL UTILITIES											
Opening backlog	63,031	57,718	53,435	50,667	59,316	57,701	50,499	50,456	59,231	52,433	47,911
Appropriations	4,338	5,905	13,255	16,960	8,379	2,760	9,971	16,112	2,630	2,801	5,806
Canceled	422	683	6,195	460	541	595	964	119	1,315	-580	1,476
Capital expenditure	9,229	9,505	9,828	7,851	9,453	9,367	9,050	7,218	8,113	7,903	6,540
Closing backlog	57,718	53,435	50,667	59,316	57,701	50,499	50,456	59,231	52,433	47,911	45,701
ELECTRIC UTILITIES											
Opening backlog	58,741	53,945	50,569	48,231	54,371	53,694	47,819	48,070	54,032	48,499	44,817
Appropriations	3,778	5,333	11,963	13,746	7,814	2,042	8,503	12,515	2,252	2,278	4,471
Canceled	349	568	6,080	656	306	154	713	257	892	-536	1,356
Capital expenditure	8,225	8,141	8,221	6,950	8,185	7,763	7,539	6,296	6,893	6,496	4,988
Closing backlog	53,945	50,569	48,231	54,371	53,694	47,819	48,070	54,032	48,499	44,817	42,944
GAS UTILITIES											
Opening backlog	4,290	3,773	2,866	2,436	4,945	4,007	2,680	2,386	5,199	3,934	3,094
Appropriations	560	572	1,292	3,214	565	718	1,468	3,597	378	523	1,335
Canceled	73	115	115	-196	235	441	251	-138	423	-44	120
Capital expenditure	1,004	1,364	1,607	901	1,268	1,604	1,511	922	1,220	1,407	1,552
Closing backlog	3,773	2,866	2,436	4,945	4,007	2,680	2,386	5,199	3,934	3,094	2,757

REVISIONS: Gas & total utilities data for 1986 I, II & III are revised.

p denotes preliminary data.

Estimates are for all investor-owned gas and electric utilities. The electric utility companies surveyed account for 98% of all investor-owned companies' plant investment and kilowatt-hour sales to ultimate customers in 1984; the gas utilities surveyed account for 50% of 1984 revenues of all investor-owned gas utilities.

Historical data from 1958 available on request.

Sources: Edison Electric Institute; American Gas Association; The Conference Board.

The Conference Board

845 Third Avenue, New York, N.Y. 10022 / (212) 759-0900
1755 Massachusetts Avenue, N.W., Suite 312, Washington, D.C. 20036
255 Smyth Road, Ottawa, Ontario, K1H-8M7, Canada
Avenue Louise, 207-Bte 5; B-1050 Brussels, Belgium

CBDB

ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes, in LOTUS and other formats. Contact Linette Waters: 800-US-BOARD; in NYC, (212) 759-0900.

Prepared by Walter Arvin, Economic Economic Analysis Program, Eric J. Kruger, Director. Reproduction permissible with full citation to The Conference Board as source. Published quarterly at 845 Third Avenue, New York, New York 10022.

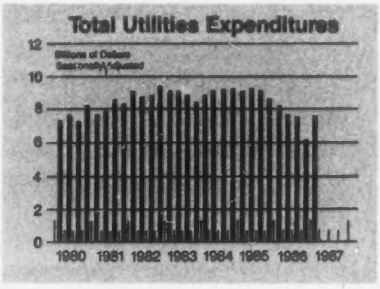
8/27/87 13405-11

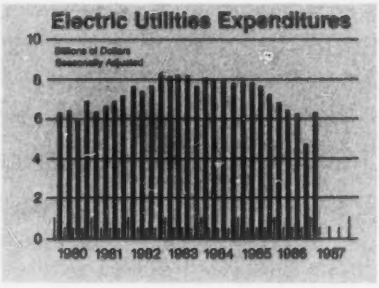
The Conference Board

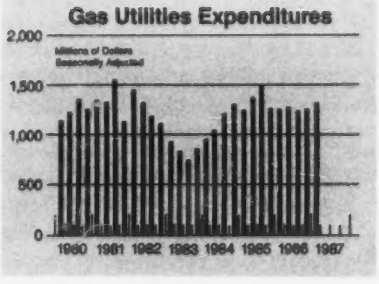
Economic Analysis Program

Utility Investment Report

A Quarterly Report from The Conference Board — **First Quarter 1987**







Overview

After a substantial first-quarter rise, capital spending by the nation's investor-owned utilities is expected to fall in each of the remaining quarters, resulting in an 8-9% overall drop in the industry's spending for 1987.

The electric-utility sector, the industry's major component, is largely responsible for the anticipated downturn. The sector is expected to lower its capital spending by 11-12% this year, in response to widespread excess capacity, sluggish demand, and continued pressure from both regulators and new competitors. Not facing these constraints, the much smaller gas sector is likely to increase spending by 5-6 percent.

Expenditures Rebound From Weak 1986 Level

First-quarter capital spending by the nation's investor-owned utilities rose 26% to $7.7 billion. Pacing the increase was a 32% jump in outlays by the electric-utility sector. However, this sharp gain only restored the sector's spending to the relatively low level of $4.6 billion, which is 7% below the same period last year. Despite the first-quarter increase, spending by the electric-utility sector declined in six of the last eight quarters.

The situation is exactly the reverse for the gas-utility sector. Capital spending by gas utilities rose by 3% in the first quarter to $1.3 billion, the highest quarterly level achieved since the third quarter of 1985.

Appropriations: Sizable First-Quarter Gain

First-quarter capital appropriations by investor-owned utilities shot up 42% over the fourth quarter of 1986. This rise reflects a strong 62% increase by the electric-utility sector. However, at $6.3 billion, that sector's appropriations are still 21% below the first quarter of 1986. Appropriations by electric utilities are at their lowest first-quarter level since 1972, except for 1984, reinforcing our belief that appropriations will decline by 20-23% for 1987 as a whole.

Appropriations by the gas sector fell 7% in the first quarter, after declining 2% last year. At $1.5 billion, however, they were still slightly higher than the 1985-86 average. We expect appropriations by this sector to grow by 6-7% for the year as a whole.

Spending Outlook: Few Bright Spots Expected

Prospects for the electric-utility sector are dim. We expect a gradual decrease in spending for each of the three remaining quarters of 1987, resulting in a decline of 11-12% for the year as a whole. This forecast is based on the low level of the closing backlog of unspent appropriations, which has not shown any real improvement since the fourth quarter of 1986, and on continued weakness in appropriations.

Spending by the gas sector, on the other hand, should rise by 5-6% this year. This is supported by continued growth in the closing backlog of unspent appropriations and by the prospect of renewed growth in new appropriations.

Walter Arvin
July 30, 1987

Copyright © 1987 by The Conference Board, Inc.

CAPITAL APPROPRIATIONS AND EXPENDITURES OF INVESTOR-OWNED GAS AND ELECTRIC UTILITIES

	QUARTERLY TOTALS Millions of Dollars					PERCENT CHANGE Previous Quarter				Year-Ago
	I-86r	II-86r	III-86r	IV-86r	I-87p	II-86	III-86	IV-86	I-87	I-86 to I-87
—SEASONALLY ADJUSTED—										
TOTAL UTILITIES										
Opening Backlog	50,456	52,648	48,805	46,699	45,694					
Appropriations	9,554	5,544	5,530	5,491	7,791	-42.0	- 0.2	- 0.7	41.9	-18.4
Cancelations	- 734	1,685	101	416	- 303					
Capital Expenditures	8,096	7,702	7,535	6,080	7,672	- 4.9	- 2.2	-19.3	26.2	- 5.2
Closing Backlog	52,648	48,805	46,699	45,694	46,117					
ELECTRIC UTILITIES										
Opening Backlog	48,070	49,853	46,243	44,092	42,944					
Appropriations	7,996	4,384	4,261	3,882	6,299	-45.2	- 2.8	- 8.9	62.3	-21.2
Cancelations	- 598	1,585	133	231	- 444					
Capital Expenditures	6,811	6,409	6,279	4,799	6,353	- 5.9	- 2.0	-23.6	32.4	- 6.7
Closing Backlog	49,853	46,243	44,092	42,944	43,334					
GAS UTILITIES										
Opening Backlog	2,386	2,795	2,562	2,607	2,750					
Appropriations	1,558	1,160	1,269	1,609	1,493	-25.6	9.5	26.8	- 7.2	- 4.2
Cancelations	- 136	100	- 32	185	141					
Capital Expenditures	1,285	1,293	1,256	1,281	1,319	0.6	- 2.8	1.9	3.0	2.6
Closing Backlog	2,795	2,562	2,607	2,750	2,783					
—NOT SEASONALLY ADJUSTED—										
TOTAL UTILITIES										
Opening Backlog	50,456	59,231	52,433	47,911	45,694					
Appropriations	16,112	2,630	2,801	5,963	14,567	-83.7	6.5	112.9	144.3	- 9.6
Cancelations	119	1,315	- 580	1,608	937					
Capital Expenditures	7,218	8,113	7,903	6,572	6,617	12.4	- 2.6	-16.8	0.7	- 8.3
Closing Backlog	59,231	52,433	47,911	45,694	52,707					
ELECTRIC UTILITIES										
Opening Backlog	48,070	54,032	48,499	44,817	42,944					
Appropriations	12,515	2,252	2,278	4,471	11,092	-82.0	1.2	96.3	148.1	-11.4
Cancelations	257	892	- 536	1,356	896					
Capital Expenditures	6,296	6,893	6,496	4,988	5,686	9.5	- 5.8	-23.2	14.0	- 9.7
Closing Backlog	54,032	48,499	44,817	42,944	47,454					
GAS UTILITIES										
Opening Backlog	2,386	5,199	3,934	3,094	2,750					
Appropriations	3,597	378	523	1,492	3,475	-89.5	38.4	185.3	132.9	- 3.4
Cancelations	- 138	423	- 44	252	41					
Capital Expenditures	922	1,220	1,407	1,584	931	32.3	15.3	12.6	-41.2	1.0
Closing Backlog	5,199	3,934	3,094	2,750	5,253					

REVISIONS: 1985-86 seasonally adjusted data for gas, electric and total utilities have been revised. Revised 1985 data is available upon request.

p denotes preliminary data.

Estimates are for all investor-owned gas and electric utilities. The electric utility companies surveyed account for 98% of all investor-owned companies' plant investment and kilowatt-hour sales to ultimate customers in 1984; the gas utilities surveyed account for 50% of 1984 revenues of all investor-owned gas utilities.

Historical data from 1958 available on request.

Sources: Edison Electric Institute; American Gas Association; The Conference Board.

The Conference Board

845 Third Avenue, New York, N.Y. 10022 / (212) 759-0900
1755 Massachusetts Avenue, N.W., Suite 312, Washington, D.C. 20036
255 Smyth Road, Ottawa, Ontario, K1H-8M7, Canada
Avenue Louise, 207-Bte 5; B-1050 Brussels, Belgium

CBDB

ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes, in LOTUS and other formats. Contact Linette Waters: 800-US-BOARD; in NYC, (212) 759-0900.

Prepared by Walter Arvin, Economic Economic Analysis Program, Eric J. Kruger, Director. Reproduction permissible with full citation to The Conference Board as source. Published quarterly at 845 Third Avenue, New York, New York 10022.